



Mkhambathini Municipality
Annual Financial Statements
for the year ended 30 June 2019

Mkhamabathini Municipality

(Registration number KZN 226)

Annual Financial Statements for the year ended 30 June 2019

General Information

Legal form of entity

Municipality

Nature of business and principal activities

Delivering of basic services to the community (refuse removal, road and electricity infrastructure and other community socio-activities)

Mayoral committee

Cllr E Ngcongo (Mayor)

Cllr LZ Lembethe (Deputy Mayor)

Cllr TA Gwala (Speaker)

Cllr KR Mofokeng (EXCO Member)

Cllr RN Lembethe (MPAC Chair)

Cllr MR Ntuli

Cllr RN Zondo

Cllr RB Mkhize

Cllr MR Shandu

Cllr S Ngidi

Cllr NW Ntombela

Cllr NJ Wensley (resigned in August 2018)

Cllr ZF Mbambo

Cllr PN Maphanga

Cllr NN Phungula (newly elected in November 2018)

Councillors**Chief Finance Officer (CFO)**

Mr S Mngwengwe

Municipal Website

www.mkhamabathini.gov.za

Business address

18 Old Main Road

Camperdown

3720

Postal address

Private Bag X04

Camperdown

3720

Contact number

031 785 9300

Auditors

Auditor-General

Bank

Standard Bank

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COID	Compensation for Occupational Injuries and Diseases
CRR	Capital Replacement Reserve
DBSA	Development Bank of South Africa
SA GAAP	South African Statements of Generally Accepted Accounting Practice
GRAP	Generally Recognised Accounting Practice
GAMAP	Generally Accepted Municipal Accounting Practice
HDF	Housing Development Fund
IAS	International Accounting Standards
IMFO	Institute of Municipal Finance Officers
IPSAS	International Public Sector Accounting Standards
ME's	Municipal Entities
MEC	Member of the Executive Council
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant (Previously CMIP)
MPRA	Municipal Property Rates Act
INEP	Integrated National Electrification Program
EPWP	Extended Public Works Program

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Accounting Officer's Responsibilities and Approval

The accounting officer is required by the Municipal Finance Management Act (Act 56 of 2003), to maintain adequate accounting records and is responsible for the content and integrity of the annual financial statements and related financial information included in this report. It is the responsibility of the accounting officer to ensure that the annual financial statements fairly present the state of affairs of the municipality as at the end of the financial year and the results of its operations and cash flows for the period then ended. The external auditors are engaged to express an independent opinion on the annual financial statements and was given unrestricted access to all financial records and related data.

The annual financial statements have been prepared in accordance with Standards of Generally Recognised Accounting Practice (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board.

The annual financial statements are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

The accounting officer acknowledges that she is ultimately responsible for the system of internal financial control established by the municipality and place considerable importance on maintaining a strong control environment. To enable the accounting officer to meet these responsibilities, the accounting officer sets standards for internal control aimed at reducing the risk of error or deficit in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the municipality and all employees are required to maintain the highest ethical standards in ensuring the municipality's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the municipality is on identifying, assessing, managing and monitoring all known forms of risk across the municipality. While operating risk cannot be fully eliminated, the municipality endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The accounting officer is of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the annual financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or deficit.

The accounting officer has reviewed the municipality's cash flow forecast for the year to 30 June 2020 and, in the light of this review and the current financial position, she is satisfied that the municipality has access to adequate resources to continue in operational existence for the foreseeable future.

I certify that the salaries, allowances and benefits of councillors as disclosed in note 23 of these annual financial statements are within the upper limit of the framework envisaged in section 219 of the constitution, read with the Remuneration of Public Officers Bearer Act and the Minister of Provincial and Local Government determination in accordance with this Act.

The annual financial statements set out on pages 4 to 51, which have been prepared on the going concern basis, were approved by the on 30 August 2019 .

Accounting Officer
Miss ZM Mdlazi

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Accounting Officer' s Report

The accounting officer submits her report for the year ended 30 June 2019.

1. Subsequent events

The accounting officer is not aware of any matter or circumstance arising since the end of the financial year.

2.

The accounting officer's details during the year and to the date of this report is as follows:

Name	Nationality	Changes
Mrs. T.C. Ndlela	South African	resigned in February 2019
Miss ZM Mdlazi	South African	appointed Acting MM as from 05 March 2019

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Statement of Financial Position as at 30 June 2019

Figures in Rand	Note(s)	2019	2018 Restated*
Assets			
Current Assets			
Operating lease asset	6	88 400	88 400
Receivables from exchange transactions	8&10	2 159 503	2 531 764
Receivables from non-exchange transactions	9&10	18 359 940	13 573 302
Cash and cash equivalents	11	63 941 151	58 973 389
		84 548 994	75 166 855
Non-Current Assets			
Investment property	3	4 523 600	4 523 600
Property, plant and equipment	4	136 585 616	119 015 700
Intangible assets	5	409 323	606 613
		141 518 539	124 145 913
Total Assets		226 067 533	199 312 768
Liabilities			
Current Liabilities			
Payables from exchange transactions	14	5 199 102	6 254 712
VAT payable	15	383 238	197 172
Unspent conditional grants and receipts	12	469 127	965 671
Provisions	13	2 353 095	2 115 010
		8 404 562	9 532 565
Non-Current Liabilities			
Employee benefit obligation	7	4 210 196	3 572 866
Total Liabilities		12 614 758	13 105 431
Net Assets		213 452 775	186 207 337
Accumulated surplus		213 452 775	186 207 337

* See Note 38 & 37

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Statement of Financial Performance

Figures in Rand	Note(s)	2019	2018 Restated*
Revenue			
Revenue from exchange transactions			
Service charges	17	525 667	497 749
Interest received - refuse removal		50 507	31 824
Commissions received		1 552 924	1 461 289
Other income	19	673 936	1 154 748
Interest received - investment	20	4 539 279	3 483 773
Total revenue from exchange transactions		7 342 313	6 629 383
Revenue from non-exchange transactions			
Property rates	21	14 291 859	13 574 073
Property rates - penalties imposed	21	3 697 592	2 888 141
Transfer revenue			
Government grants & subsidies	22	79 993 754	73 337 407
Fines, Penalties and Forfeits		27 055	26 250
Licenses and Permits		4 909 459	4 602 934
Other income	18	101 636	103 687
Total revenue from non-exchange transactions		103 021 355	94 532 492
Total revenue	16	110 363 668	101 161 875
Expenditure			
Employee Related Cost	23	(34 632 406)	(34 140 751)
Remuneration of councillors	24	(5 809 171)	(5 172 985)
Contributions to Employee benefits (Long Service)	25	(637 330)	(266 881)
Depreciation and amortisation	26	(8 138 724)	(6 825 402)
Reversal of impairments	27	(583 732)	(1 952 528)
Debt Impairment	28	(1 539 532)	(741 640)
Loss on disposal of assets and liabilities/ (Transfers to other organ of state)		(195 350)	(8 422 110)
General Expenses	29	(30 764 297)	(22 668 118)
External Auditors		(1 233 373)	(1 264 610)
Total expenditure		(83 533 915)	(81 455 025)
Surplus for the year		26 829 753	19 706 850

* See Note 38 & 37

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Statement of Changes in Net Assets

Figures in Rand	Accumulated surplus	Total net assets
Opening balance as previously reported	167 237 057	167 237 057
Adjustments		
Correction of errors	(1 207 431)	(1 207 431)
Balance at 01 July 2017 as restated*	166 500 487	166 500 487
Surplus for the year	19 706 850	19 706 850
Total changes	19 706 850	19 706 850
Restated* Balance at 01 July 2018	185 290 529	185 290 529
Changes in net assets		
Correction of error	1 332 493	1 332 493
Net income (losses) recognised directly in net assets	1 332 493	1 332 493
Surplus for the year	26 829 753	26 829 753
Total recognised income and expenses for the year	28 162 246	28 162 246
Total changes	28 162 246	28 162 246
Balance at 30 June 2019	213 452 775	213 452 775

* See Note 38 & 37

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Cash Flow Statement

Figures in Rand	Note(s)	2019	2018 Restated*
Cash flows from operating activities			
Receipts			
Sale of goods and services		17 487 965	19 535 536
Grants		79 497 210	77 819 917
Interest Received		6 721 292	4 967 542
		103 706 467	102 322 995
Payments			
Employee costs		(34 632 406)	(33 968 326)
Remuneration of Councillors		(5 809 171)	(5 172 985)
Cash Paid to Suppliers		(32 006 698)	(35 010 010)
		(72 448 275)	(74 151 321)
Net cash flows from operating activities	33	31 258 192	28 171 674
Cash flows from investing activities			
Purchase of property, plant and equipment	4	(26 290 430)	(22 014 108)
Net increase in cash and cash equivalents		4 967 762	6 157 566
Cash and cash equivalents at the beginning of the year		58 973 389	52 815 823
Cash and cash equivalents at the end of the year	11	63 941 151	58 973 389

* See Note 38 & 37

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Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
Statement of Financial Performance						
Revenue						
Revenue from exchange transactions						
Service charges	562 330	-	562 330	525 667	(36 663)	(a)
Interest received (trading)	-	-	-	50 507	50 507	(d)
Commissions received	-	-	-	1 552 924	1 552 924	(b)
Other income	943 226	1 800	945 026	673 936	(271 090)	(c)
Interest received - Debtors	4 300 915	623 173	4 924 088	4 539 279	(384 809)	(d)
Total revenue from exchange transactions	5 806 471	624 973	6 431 444	7 342 313	910 869	
Revenue from non-exchange transactions						
Taxation revenue						
Property rates	14 272 414	-	14 272 414	14 291 859	19 445	(e)
Property rates - penalties imposed	-	-	-	3 697 592	3 697 592	(d)
Transfer revenue						
Government grants & subsidies	68 167 000	(7 950 000)	60 217 000	60 608 754	391 754	(f)
Fines, Penalties and Forfeits	-	-	-	27 055	27 055	
Licenses and permits	5 331 171	1 066 234	6 397 405	4 909 459	(1 487 946)	(b)
Other revenue	-	-	-	101 636	101 636	(c)
Total revenue from non-exchange transactions	87 770 585	(6 883 766)	80 886 819	83 636 355	2 749 536	
Total revenue	93 577 056	(6 258 793)	87 318 263	90 978 668	3 660 405	
Expenditure						
Employee related cost	(32 227 220)	-	(32 227 220)	(34 632 406)	(2 405 186)	(g)
Remuneration of councillors	(5 863 754)	-	(5 863 754)	(5 809 171)	54 583	(h)
Contribution to Long Service Awards	-	-	-	(637 330)	(637 330)	(i)
Depreciation and amortisation	(6 466 000)	(646 600)	(7 112 600)	(8 138 724)	(1 026 124)	(j)
Impairment loss/ Reversal of impairments	-	-	-	(583 732)	(583 732)	
Debt Impairment	(700 000)	-	(700 000)	(1 539 532)	(839 532)	(k)
Repairs and Maintenance	-	-	-	(3 099 817)	(3 099 817)	(l)
Bank Charges	(195 528)	-	(195 528)	-	195 528	
General Expenses	(67 197 299)	(3 868 524)	(71 065 823)	(28 897 853)	42 167 970	(l)
Total expenditure	(112 649 801)	(4 515 124)	(117 164 925)	(83 338 565)	33 826 360	
Loss on disposal of assets and liabilities	-	-	-	(195 350)	(195 350)	(m)
Operating surplus before capital expenditure	-	-	-	-	-	
Transfer recognised - Capital	15 835 000	3 550 000	19 385 000	19 385 000	-	
Sub-Total before operational revenue and expenditure	15 835 000	3 550 000	19 385 000	19 189 650	(195 350)	

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Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
Surplus or (Deficit) for the year after capital expenditure	(3 237 745)	(7 223 917)	(10 461 662)	26 829 753	37 291 415	
Surplus or (Deficit) for the year after capital expenditure	(3 237 745)	(7 223 917)	(10 461 662)	(734 279)	37 291 415	

Explanations

(a) Service charges - The anticipated billing amount for refuse removal was affected by 7% due to static on the number of customers who are offered the service.

(b) Commissions received - The item was budgeted under license and permits but for the reporting purpose it was separated to commission received item. License and permits performed well due to high number of applicants for learners and drivers licenses than anticipated.

(c) Other income - Other income is for leases, building fees, tender fees and all other sundry income received by the municipality. The development happening within the area increased the income for the municipality. Included on the non-exchanged transaction is an amount of R101 636 which arises from the debt raised against uMgungundlovu District Municipality for the repayment of sewerage pump billing from Eskom.

(d) Interest received - Interest received on investments increased due to funds being invested for longer period due to more cash on hand. Interest on outstanding debtors is variable.

(e) Property rates - The rates are almost 101% compared to the budgeted amount.

(f) Government grants and subsidies - The unspent grant from previous years has been utilized within the year which lead to recognition of revenue from those grants.

(g) Employee related costs - The employee related costs budget excluded all expenditure funded by grants when the budget was done however for reporting as per mSCOA requirements all those expenses were reallocated to each item not considering the funding source. This has led to overspending when comparing to budgeted amount but when considering the grants budget which funded some employee costs the item is within the threshold and within the budget. Savings is for the posts which remained vacant during the year (MM, Finance Manager and HR Manager to mention the few).

(h) Remuneration of Councilors - The savings from the remuneration for councilors resulted from the resignation of Cllr NJ Wensley who resigned in August 2018 and the vacancy was only filled on 01 November 2018.

(i) Contribution to medical aid and long service awards - The item was not budgeted for as this is variable depending on the valuation done by the Actuary. This is a non cash item and it will be budgeted for in the near future.

(j) Depreciation - The depreciation is higher than the one budgeted due to additions to property plant and equipment, completion of some projects which was not completed from previous years and impairment of assets during this period.

(k) Debt impairment – Increase is due to the arrears in older debt and non - payment.

(l) General expenses - the municipality have underspent on the general expenses vote due to the cost containment measures implemented by the municipality on expenditure after the approval of co-funding from municipal own funding.

(m) Loss on disposal of assets and liabilities - The item was not provided for on the municipal budget and it is a non-cash item however the municipality will provide for this item on the budget.

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Accounting Policies

1. Presentation of Annual Financial Statements

The annual financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practice (GRAP), issued by the Accounting Standards Board in accordance with Section 122(3) of the Municipal Finance Management Act (Act 56 of 2003).

These annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention as the basis of measurement, unless specified otherwise. They are presented in South African Rand.

A summary of the significant accounting policies, which have been consistently applied in the preparation of these annual financial statements, are disclosed below.

1.1 Significant judgements and sources of estimation uncertainty

In preparing the annual financial statements, management is required to make estimates and assumptions that affect the amounts represented in the annual financial statements and related disclosures. Use of available information and the application of judgement is inherent in the formation of estimates. Actual results in the future could differ from these estimates which may be material to the annual financial statements. Estimates were used on the following elements: Property, plant and equipment, Post employment benefits, defined contribution plans, employee benefits, provisions and contingencies and intangible assets

1.2 Investment property

Investment property is property (land or a building - or part of a building - or both) held to earn rentals or for capital appreciation or both, rather than for:

- use in the production or supply of goods or services or for
- administrative purposes, or
- sale in the ordinary course of operations.

Owner-occupied property is property held for use in the production or supply of goods or services or for administrative purposes.

Investment property is recognised as an asset when, it is probable that the future economic benefits or service potential that are associated with the investment property will flow to the municipality, and the cost or fair value of the investment property can be measured reliably.

Investment property is initially recognised at cost. Transaction costs are included in the initial measurement. The Subsequent measurement of investment properties is carried at cost (Cost Model) .

Where investment property is acquired through a non-exchange transaction, its cost is its fair value as at the date of acquisition.

Cost model

Investment property is carried at cost less accumulated depreciation and any accumulated impairment losses.

Item	Useful life
Property - land	indefinite
Property - buildings	20 years

Investment property is derecognised on disposal or when the investment property is permanently withdrawn from use and no future economic benefits or service potential are expected from its disposal.

Gains or losses arising from the retirement or disposal of investment property is the difference between the net disposal proceeds and the carrying amount of the asset and is recognised in surplus or deficit in the period of retirement or disposal.

Compensation from third parties for investment property that was impaired, lost or given up is recognised in surplus or deficit when the compensation becomes receivable.

Property interests held under operating leases are classified and accounted for as investment property in the following circumstances:

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Accounting Policies

1.2 Investment property (continued)

When classification is difficult, the criteria used to distinguish investment property from owner-occupied property and from property held for sale in the ordinary course of operations, including the nature or type of properties classified as held for strategic purposes, are as follows:

- The municipality separately discloses expenditure to repair and maintain investment property in the notes to the annual financial statements.
- The municipality discloses relevant information relating to assets under construction or development, in the notes to the annual financial statements

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Accounting Policies

1.3 Property, plant and equipment

Property, plant and equipment is initially measured at cost. Property ,Plant and Equipment is carried at cost less accumulated depreciation and impairment losses (Cost Model)

The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Trade discounts and rebates are deducted in arriving at the cost.

Where an asset is acquired through a non-exchange transaction, its cost is its fair value as at date of acquisition.

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, it's deemed cost is the carrying amount of the asset(s) given up.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Property ,plant and equipment are depreciated on the straight line basis over their useful lives to their estimates.

The useful lives of items of property, plant and equipment have been assessed as follows:

Item	Depreciation method	Average useful life
Buildings		
• Animal pound and Parkhomes	Straight line	30
Plant and machinery		
• Brush cutters and Lawn Mowers	Straight line	3 - 15
• Tractors	Straight line	10 - 25
• Guardians and Boreholes	Straight line	15
Furniture and fixtures		
• Chairs and Sofas	Straight line	5 - 20
• Bookshelves and Cabinet	Straight line	7 - 20
• Desks and Tables	Straight line	7 - 20
Motor vehicles		
• Motor Vehicles	Straight line	7 - 20
Office equipment		
• Printers	Straight line	3-9
• Cameras	Straight line	3-9
• Video Cameras	Straight line	3-9
IT equipment		
• Laptop	Straight line	3-8
• Desktop	Straight line	3-8
• Central Processing unit	Straight line	3-8
Infrastructure		
• Roads and Paving	Straight line	10-30
• Stormwater	Straight line	20-25
Community		
• Building (Halls ,change rooms ,Taxi rank building and toilets)	Straight line	30
• Grand stand and Paved Area	Straight line	20-30
• Sportfield ,combination court ,fences ,Water tanks	Straight line	10-18
Other		
• Tools and equipment	Straight line	3-9
• Plant and Equipment	Straight line	2-25
• Office Equipment	Straight line	3-9
Security Measures		
• Walls	Straight line	30
• Gates and Fencing	Straight line	10

The depreciable amount of an asset is allocated on a systematic basis over its useful life.

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Accounting Policies

1.3 Property, plant and equipment (continued)

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately.

The depreciation method used reflects the pattern in which the asset's future economic benefits or service potential are expected to be consumed by the municipality. The depreciation method applied to an asset is reviewed at least at each reporting date and, if there has been a significant change in the expected pattern of consumption of the future economic benefits or service potential embodied in the asset, the method is changed to reflect the changed pattern. Such a change is accounted for as a change in an accounting estimate.

The municipality assesses at each reporting date whether there is any indication that the municipality expectations about the residual value and the useful life of an asset have changed since the preceding reporting date. If any such indication exists, the municipality revises the expected useful life and/or residual value accordingly. The change is accounted for as a change in an accounting estimate.

The depreciation charge for each period is recognised in surplus or deficit unless it is included in the carrying amount of another asset.

Items of property, plant and equipment are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset.

The gain or loss arising from the derecognition of an item of property, plant and equipment is included in surplus or deficit when the item is derecognised. The gain or loss arising from the derecognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

Assets which the municipality holds for rentals to others and subsequently routinely sell as part of the ordinary course of activities, are transferred to inventories when the rentals end and the assets are available-for-sale. Proceeds from sales of these assets are recognised as revenue. All cash flows on these assets are included in cash flows from operating activities in the cash flow statement.

The municipality separately discloses expenditure to repair and maintain property, plant and equipment in the notes to the financial statements (see note 4).

The municipality discloses relevant information relating to assets under construction or development, in the notes to the financial statements (see note 4).

The exemption from applying the measurement requirements of the Standard of GRAP on Property, plant and equipment implies that any associated presentation and disclosure requirements need not be complied with for property, plant and equipment not measured in accordance with the requirements of the Standard of GRAP on Property, plant and equipment.

1.4 Intangible assets

An asset is identifiable if it either:

- is separable, i.e. is capable of being separated or divided from an entity and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, identifiable assets or liability, regardless of whether the entity intends to do so; or
- arises from binding arrangements (including rights from contracts), regardless of whether those rights are transferable or separable from the municipality or from other rights and obligations.

A binding arrangement describes an arrangement that confers similar rights and obligations on the parties to it as if it were in the form of a contract.

An intangible asset is recognised when:

- it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the municipality; and
- the cost or fair value of the asset can be measured reliably.

The municipality assesses the probability of expected future economic benefits or service potential using reasonable and supportable assumptions that represent management's best estimate of the set of economic conditions that will exist over the useful life of the asset.

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Accounting Policies

1.4 Intangible assets (continued)

The amortisation period and the amortisation method for intangible assets are reviewed at each reporting date.

Amortisation is provided to write down the intangible assets, on a straight line basis, to their residual values as follows:

Item	Useful life
Computer software, other	3-5 years

The municipality discloses relevant information relating to assets under construction or development, in the notes to the financial statements (see note 5).

1.5 Financial instruments

Initial recognition and measurements

Financial instruments are recognised initially when the Municipality becomes a party to the contractual provisions of the instrument

The municipality classifies financial instruments, or their component parts, on initial recognition as a financial asset, a financial liability or an equity instrument in accordance with the substance of the contractual arrangement.

Financial instruments are measured initially at fair value except for equity investments for which a fair value is not determinable, which are measured at cost and are classified as available - for - sale financial assets.

For financial instruments which are not fair value through surplus or deficit, transaction costs are included in the initial measurement of the instrument.

Receivables from exchange transaction. Trade receivables are measured at initial recognition at fair value. Trade and other receivables are classified as receivables. An estimate is made for doubtful receivables based on a review of all outstanding amounts at year end. Bad Debts are written off during the year in which they are identified. Amounts that are receivable within 12 months from the reporting date are classified as current.

Payables from exchange transactions

Trade payables are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method. Liabilities are generally settled within the period of 30 days, accordingly, any impairment, if any, are considered to be immaterial.

Cash and cash equivalent: Cash includes cash on hand and cash with banks. Cash equivalents are short - term highly liquid investments that are held with registered banking institutions with maturities of three months or less and are subject to an insignificant risk of change in value.

1.6 Tax

Income tax expense

No provision has been made for income tax as the municipality is exempt from taxation in terms of section 10 (1) (A) of the Income Tax Act.

VALUE ADDED TAX (VAT) :

The municipality accounts for VAT on the cash / payments basis. VAT output is paid over to SARS once the cash is received from the customer and VAT input is claimed when suppliers are paid.

1.7 Leases

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

When a lease includes both land and buildings elements, the entity assesses the classification of each element separately. Operating leases are those leases that are not finance leases. Operating lease rentals are expensed on the straight line basis.

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1.7 Leases (continued)

Operating leases - lessor

Operating lease revenue is recognised as revenue on a straight-line basis over the lease term.

Initial direct costs incurred in negotiating and arranging operating leases are added to the carrying amount of the leased asset and recognised as an expense over the lease term on the same basis as the lease revenue.

The aggregate cost of incentives is recognised as a reduction of rental revenue over the lease term on a straight-line basis.

The aggregate benefit of incentives is recognised as a reduction of rental expense over the lease term on a straight-line basis.

Income for leases is disclosed under revenue in statement of financial performance.

Operating leases - lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset or liability.

1.8 Impairment of cash-generating assets

Cash-generating assets are assets used with the objective of generating a commercial return. Commercial return means that positive cash flows are expected to be significantly higher than the cost of the asset.

Impairment is a loss in the future economic benefits or service potential of an asset, over and above the systematic recognition of the loss of the asset's future economic benefits or service potential through depreciation (amortisation).

Carrying amount is the amount at which an asset is recognised in the statement of financial position after deducting any accumulated depreciation and accumulated impairment losses thereon.

A cash-generating unit is the smallest identifiable group of assets used with the objective of generating a commercial return that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets.

Costs of disposal are incremental costs directly attributable to the disposal of an asset, excluding finance costs and income tax expense.

Depreciation (Amortisation) is the systematic allocation of the depreciable amount of an asset over its useful life.

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

Recoverable amount of an asset or a cash-generating unit is the higher its fair value less costs to sell and its value in use.

Useful life is either:

- the period of time over which an asset is expected to be used by the municipality; or
- the number of production or similar units expected to be obtained from the asset by the municipality.

Criteria developed by the municipality to distinguish cash-generating assets from non-cash generating assets are as follows:

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Accounting Policies

1.8 Impairment of cash-generating assets (continued)

Identification

When the carrying amount of a cash-generating asset exceeds its recoverable amount, it is impaired.

The municipality assesses at each reporting date whether there is any indication that a cash-generating asset may be impaired. If any such indication exists, the municipality estimates the recoverable amount of the asset.

Irrespective of whether there is any indication of impairment, the municipality also test a cash-generating intangible asset with an indefinite useful life or a cash-generating intangible asset not yet available for use for impairment annually by comparing its carrying amount with its recoverable amount. This impairment test is performed at the same time every year. If an intangible asset was initially recognised during the current reporting period, that intangible asset was tested for impairment before the end of the current reporting period.

Value in use

Value in use of a cash-generating asset is the present value of the estimated future cash flows expected to be derived from the continuing use of an asset and from its disposal at the end of its useful life.

When estimating the value in use of an asset, the municipality estimates the future cash inflows and outflows to be derived from continuing use of the asset and from its ultimate disposal and the municipality applies the appropriate discount rate to those future cash flows.

Basis for estimates of future cash flows

In measuring value in use the municipality:

- base cash flow projections on reasonable and supportable assumptions that represent management's best estimate of the range of economic conditions that will exist over the remaining useful life of the asset. Greater weight is given to external evidence;
- base cash flow projections on the most recent approved financial budgets/forecasts, but excludes any estimated future cash inflows or outflows expected to arise from future restructuring's or from improving or enhancing the asset's performance. Projections based on these budgets/forecasts covers a maximum period of five years, unless a longer period can be justified; and
- estimate cash flow projections beyond the period covered by the most recent budgets/forecasts by extrapolating the projections based on the budgets/forecasts using a steady or declining growth rate for subsequent years, unless an increasing rate can be justified. This growth rate does not exceed the long-term average growth rate for the products, industries, or country or countries in which the entity operates, or for the market in which the asset is used, unless a higher rate can be justified.

Recognition and measurement (individual asset)

If the recoverable amount of a cash-generating asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. This reduction is an impairment loss.

An impairment loss is recognised immediately in surplus or deficit.

Any impairment loss of a revalued cash-generating asset is treated as a revaluation decrease.

When the amount estimated for an impairment loss is greater than the carrying amount of the cash-generating asset to which it relates, the municipality recognises a liability only to the extent that is a requirement in the Standard of GRAP.

After the recognition of an impairment loss, the depreciation (amortisation) charge for the cash-generating asset is adjusted in future periods to allocate the cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

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Accounting Policies

1.8 Impairment of cash-generating assets (continued)

Reversal of impairment loss

The municipality assess at each reporting date whether there is any indication that an impairment loss recognised in prior periods for a cash-generating asset may no longer exist or may have decreased. If any such indication exists, the entity estimates the recoverable amount of that asset.

An impairment loss recognised in prior periods for a cash-generating asset is reversed if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. The carrying amount of the asset is increased to its recoverable amount. The increase is a reversal of an impairment loss. The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss for a cash-generating asset is recognised immediately in surplus or deficit.

Any reversal of an impairment loss of a revalued cash-generating asset is treated as a revaluation increase.

After a reversal of an impairment loss is recognised, the depreciation (amortisation) charge for the cash-generating asset is adjusted in future periods to allocate the cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

A reversal of an impairment loss for a cash-generating unit is allocated to the cash-generating assets of the unit pro rata with the carrying amounts of those assets. These increases in carrying amounts are treated as reversals of impairment losses for individual assets. No part of the amount of such a reversal is allocated to a non-cash-generating asset contributing service potential to a cash-generating unit.

In allocating a reversal of an impairment loss for a cash-generating unit, the carrying amount of an asset is not increased above the lower of:

- its recoverable amount (if determinable); and
- the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset in prior periods.

The amount of the reversal of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit.

Redesignation

The redesignation of assets from a cash-generating asset to a non-cash-generating asset or from a non-cash-generating asset to a cash-generating asset only occur when there is clear evidence that such a redesignation is appropriate.

1.9 Impairment of non-cash-generating assets

Cash-generating assets are assets used with the objective of generating a commercial return. Commercial return means that positive cash flows are expected to be significantly higher than the cost of the asset.

Non-cash-generating assets are assets other than cash-generating assets.

Impairment is a loss in the future economic benefits or service potential of an asset, over and above the systematic recognition of the loss of the asset's future economic benefits or service potential through depreciation (amortisation).

Carrying amount is the amount at which an asset is recognised in the statement of financial position after deducting any accumulated depreciation and accumulated impairment losses thereon.

A cash-generating unit is the smallest identifiable group of assets managed with the objective of generating a commercial return that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets.

Costs of disposal are incremental costs directly attributable to the disposal of an asset, excluding finance costs and income tax expense.

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Accounting Policies

1.9 Impairment of non-cash-generating assets (continued)

Depreciation (Amortisation) is the systematic allocation of the depreciable amount of an asset over its useful life.

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

Recoverable service amount is the higher of a non-cash-generating asset's fair value less costs to sell and its value in use.

Useful life is either:

- the period of time over which an asset is expected to be used by the municipality; or
- the number of production or similar units expected to be obtained from the asset by the municipality.

Identification

When the carrying amount of a non-cash-generating asset exceeds its recoverable service amount, it is impaired.

The municipality assesses at each reporting date whether there is any indication that a non-cash-generating asset may be impaired. If any such indication exists, the municipality estimates the recoverable service amount of the asset.

Irrespective of whether there is any indication of impairment, the entity also test a non-cash-generating intangible asset with an indefinite useful life or a non-cash-generating intangible asset not yet available for use for impairment annually by comparing its carrying amount with its recoverable service amount. This impairment test is performed at the same time every year. If an intangible asset was initially recognised during the current reporting period, that intangible asset was tested for impairment before the end of the current reporting period.

Value in use

Value in use of non-cash-generating assets is the present value of the non-cash-generating assets remaining service potential.

The present value of the remaining service potential of a non-cash-generating assets is determined using the following approach:

Depreciated replacement cost approach

The present value of the remaining service potential of a non-cash-generating asset is determined as the depreciated replacement cost of the asset. The replacement cost of an asset is the cost to replace the asset's gross service potential. This cost is depreciated to reflect the asset in its used condition. An asset may be replaced either through reproduction (replication) of the existing asset or through replacement of its gross service potential. The depreciated replacement cost is measured as the current reproduction or replacement cost of the asset, whichever is lower, less accumulated depreciation calculated on the basis of such cost, to reflect the already consumed or expired service potential of the asset.

The replacement cost and reproduction cost of an asset is determined on an "optimised" basis. The rationale is that the municipality would not replace or reproduce the asset with a like asset if the asset to be replaced or reproduced is an overdesigned or overcapacity asset. Overdesigned assets contain features which are unnecessary for the goods or services the asset provides. Overcapacity assets are assets that have a greater capacity than is necessary to meet the demand for goods or services the asset provides. The determination of the replacement cost or reproduction cost of an asset on an optimised basis thus reflects the service potential required of the asset.

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1.9 Impairment of non-cash-generating assets (continued)

Recognition and measurement

If the recoverable service amount of a non-cash-generating asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. This reduction is an impairment loss.

An impairment loss is recognised immediately in surplus or deficit.

Any impairment loss of a revalued non-cash-generating asset is treated as a revaluation decrease.

When the amount estimated for an impairment loss is greater than the carrying amount of the non-cash-generating asset to which it relates, the municipality recognises a liability only to the extent that is a requirement in the Standards of GRAP.

After the recognition of an impairment loss, the depreciation (amortisation) charge for the non-cash-generating asset is adjusted in future periods to allocate the non-cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

Reversal of an impairment loss

The municipality assess at each reporting date whether there is any indication that an impairment loss recognised in prior periods for a non-cash-generating asset may no longer exist or may have decreased. If any such indication exists, the municipality estimates the recoverable service amount of that asset.

An impairment loss recognised in prior periods for a non-cash-generating asset is reversed if there has been a change in the estimates used to determine the asset's recoverable service amount since the last impairment loss was recognised. The carrying amount of the asset is increased to its recoverable service amount. The increase is a reversal of an impairment loss. The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss for a non-cash-generating asset is recognised immediately in surplus or deficit.

Any reversal of an impairment loss of a revalued non-cash-generating asset is treated as a revaluation increase.

After a reversal of an impairment loss is recognised, the depreciation (amortisation) charge for the non-cash-generating asset is adjusted in future periods to allocate the non-cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

Redesignation

The redesignation of assets from a cash-generating asset to a non-cash-generating asset or from a non-cash-generating asset to a cash-generating asset only occur when there is clear evidence that such a redesignation is appropriate.

1.10 Share capital / contributed capital

An equity instrument is any contract that evidences a residual interest in the assets of an municipality after deducting all of its liabilities.

1.11 Employee benefits

Employee benefits are all forms of consideration given by an entity in exchange for service rendered by employees.

A qualifying insurance policy is an insurance policy issued by an insurer that is not a related party (as defined in the Standard of GRAP on Related Party Disclosures) of the reporting entity, if the proceeds of the policy can be used only to pay or fund employee benefits under a defined benefit plan and are not available to the reporting entity's own creditors (even in liquidation) and cannot be paid to the reporting entity, unless either:

- the proceeds represent surplus assets that are not needed for the policy to meet all the related employee benefit obligations; or
- the proceeds are returned to the reporting entity to reimburse it for employee benefits already paid.

Termination benefits are employee benefits payable as a result of either:

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Accounting Policies

1.11 Employee benefits (continued)

- an entity's decision to terminate an employee's employment before the normal retirement date; or
- an employee's decision to accept voluntary redundancy in exchange for those benefits.

Other long-term employee benefits are employee benefits (other than post-employment benefits and termination benefits) that are not due to be settled within twelve months after the end of the period in which the employees render the related service.

Vested employee benefits are employee benefits that are not conditional on future employment.

Composite social security programmes are established by legislation and operate as multi-employer plans to provide post-employment benefits as well as to provide benefits that are not consideration in exchange for service rendered by employees.

A constructive obligation is an obligation that derives from an entity's actions where by an established pattern of past practice, published policies or a sufficiently specific current statement, the entity has indicated to other parties that it will accept certain responsibilities and as a result, the entity has created a valid expectation on the part of those other parties that it will discharge those responsibilities.

Post-employment benefits: Defined contribution plans

Defined contribution plans are post-employment benefit plans under which an entity pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods.

When an employee has rendered service to the entity during a reporting period, the entity recognise the contribution payable to a defined contribution plan in exchange for that service:

- as a liability (accrued expense), after deducting any contribution already paid. If the contribution already paid exceeds the contribution due for service before the reporting date, an entity recognise that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and
- as an expense, unless another Standard requires or permits the inclusion of the contribution in the cost of an asset.

Where contributions to a defined contribution plan do not fall due wholly within twelve months after the end of the reporting period in which the employees render the related service, they are discounted. The rate used to discount reflects the time value of money. The currency and term of the financial instrument selected to reflect the time value of money is consistent with the currency and estimated term of the obligation.

Contributions to Natal Joint Fund (NJF) and are made as follows :

- Provident 1 - 21 Members - 5 % council 9 %
- Provident 2 - 7 Members - 7 % council 18.04 %
- Provident 3 - 4 Members - 9.25 % Council 13.65%
- Retirement 2 Members - 7 % Council - 13.65 %
- Superannuation 45 Members - 9.25 % Council - 25 %

1.12 Provisions and contingencies

Provisions are recognised when:

- the municipality has a present obligation as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; and
- a reliable estimate can be made of the obligation.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. Provisions are reversed if it is no longer probable that an outflow of resources embodying economic benefits or service potential will be required, to settle the obligation.

Where discounting is used, the carrying amount of a provision increases in each period to reflect the passage of time. This increase is recognised as an interest expense.

A provision is used only for expenditures for which the provision was originally recognised.

Provisions are not recognised for future operating surplus / (deficit).

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Accounting Policies

1.12 Provisions and contingencies (continued)

Where a fee is received by the municipality for issuing a financial guarantee and/or where a fee is charged on loan commitments, it is considered in determining the best estimate of the amount required to settle the obligation at reporting date. Where a fee is charged and the municipality considers that an outflow of economic resources is probable, an municipality recognises the obligation at the higher of:

- the amount determined using in the Standard of GRAP on Provisions, Contingent Liabilities and Contingent Assets; and
- the amount of the fee initially recognised less, where appropriate, cumulative amortisation recognised in accordance with the Standard of GRAP on Revenue from Exchange Transactions.

1.13 Commitments

Items are classified as commitments when an entity has committed itself to future transactions that will normally result in the outflow of cash.

Disclosures are required in respect of unrecognised contractual commitments.

Commitments for which disclosure is necessary to achieve a fair presentation should be disclosed in a note to the financial statements, if both the following criteria are met:

- Contracts should be non-cancellable or only cancellable at significant cost (for example, contracts for computer or building maintenance services); Capital commitments are not recognised in the statement of financial position as a liability but are included in the disclosure notes in the following cases, approved and contracted commitments
- Contracts should relate to something other than the routine, steady, state business of the entity – therefore salary commitments relating to employment contracts or social security benefit commitments are excluded.
- An additional disclosure has been made for future commitments which are mainly informed by the approved budget for capital projects to be implemented in the next financial year and are disclosed as approved and not yet contracted for.

1.14 Revenue Recognition

Revenue is recognised at cost and no interest is recognised as a result of any time value of money adjustments.

Measurement

Revenue is measured at the fair value of the consideration received or receivable, net of trade discounts and volume rebates.

1.15 Revenue from non-exchange transactions

Revenue from non-exchange transactions refers to transactions where the minicipality received revenue from another entity without directly giving approximately equal value in exchange. Revenue from non-exchange transactions is generally recognised to the extent that the related receipt or receivable qualifies for recognition as an asset and there is no liability to repay the amount.

1.16 Borrowing costs

Borrowing costs are interest and other expenses incurred by an entity in connection with the borrowing of funds.

Borrowing costs are recognised as an expense in the period in which they are incurred.

1.17 Comparative information

When the presentation or classification of items in the annual financial statements is amended, prior period comparative amounts are reclassified. The nature and reason for the reclassification prior period comparative amounts are reclassified. The nature and the reason for the reclassification is disclosed.

1.18 Unauthorised expenditure

Unauthorised expenditure means:

- overspending of a vote or a main division within a vote; and
- expenditure not in accordance with the purpose of a vote or, in the case of a main division, not in accordance with the purpose of the main division.

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1.18 Unauthorised expenditure (continued)

All expenditure relating to unauthorised expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

1.19 Fruitless and wasteful expenditure

Fruitless expenditure means expenditure which was made in vain and would have been avoided had reasonable care been exercised.

All expenditure relating to fruitless and wasteful expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

1.20 Irregular expenditure

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No.56 of 2003), the Municipal Systems Act (Act No.32 of 2000), and the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the economic entity's supply chain management policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.21 Conditional Grants and Receipts

Revenue received from conditional grants, donations and funding are recognised as revenue to the extent that the municipality has complied with any of the criteria, conditions or obligations embodied in the agreement. To the extent that the criteria, conditions or obligations have not been met, a liability is recognised.

1.22 Presentation of budget information

Municipality is typically subject to budgetary limits in the form of appropriations or budget authorisations (or equivalent), which is given effect through authorising legislation, appropriation or similar.

General purpose financial reporting by municipality shall provide information on whether resources were obtained and used in accordance with the legally adopted budget.

The approved budget is prepared on an accrual basis and presented by economic classification linked to performance outcome objectives.

The approved budget covers the fiscal period from 2018/07/01 to 2019/06/30.

The budget for the economic entity includes all the entities approved budgets under its control.

The annual financial statements and the budget are on the same basis of accounting therefore a comparison with the budgeted amounts for the reporting period have been included in the Statement of comparison of budget and actual amounts.

1.23 Related parties

The municipality operates in an economic sector currently dominated by entities directly or indirectly owned by the South African Government. As a consequence of the constitutional independence of the three spheres of government in South Africa, only entities within the National sphere of government are considered to be related parties.

Management are those persons responsible for planning, directing and controlling the activities of the municipality, including those charged with the governance of the municipality in accordance with legislation, in instances where they are required to perform such functions.

Close members of the family of a person are considered to be those family members who may be expected to influence, or be influenced by, that management in their dealings with the municipality.

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1.24 Expenditure

The municipality uses the accrual basis of accounting when expenditure items are recognised (the elements of financial statements) when they satisfy the definitions and recognition criteria for elements in the Framework for the Preparation and Presentation of Financial Statements. The expenditure are recognised in terms of GRAP standards (GRAP 1) and the municipality Expenses are decreases in economic benefits or service potential during the reporting period in the form of outflows or consumption of assets or incurrences of liabilities that result in decreases in net assets, other than those relating to distributions to owners.

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Notes to the Annual Financial Statements

Figures in Rand

2019

2018

2. New standards and interpretations

2.1 Standards and interpretations issued, but not yet effective

The municipality has not applied the following standards and interpretations, which have been published and are mandatory for the municipality's accounting periods beginning on or after 01 July 2019 or later periods:

GRAP 32 Service Concession Arrangement : Grantor

The Municipality has used this standard in developing an accounting policy as per directive 5. The transitional provision for this standard in terms of directive 4 is as follows; When the municipality initially adopts a standard of GRAP, GRAP 3 requires a municipality to apply the requirements of the standard being adopted retrospectively.

GRAP 108 Statutory Receivables

The Municipality has used this standard in developing an accounting policy as per directive 5. The transitional provision for this standard in terms of directive 4 is as follows; When the municipality initially adopts a standard of GRAP, GRAP 3 requires a municipality to apply the requirements of the standard being adopted retrospectively, except for those changes specified in paragraphs .136 and 137.

GRAP 109 Accounting by principals and Agents

The Municipality has used this standard in developing an accounting policy as per directive 5. The transitional provision for this standard in terms of directive 4 is as follows; When the municipality initially adopts a standard of GRAP, GRAP 3 requires a municipality to apply the requirements of the standard being adopted retrospectively.

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
GRAP 32: Service Concession Arrangements: Grantor	01 April 2019	Currently being assessed
GRAP 18: Segment reporting	01 April 2019	Currently being assessed
GRAP 20: Related-prty disclosures	01 April 2019	Currently being assessed
GRAP 108: Statutory Receivables	01 April 2019	Currently being assessed
GRAP 109: Accounting by Principals and Agents	01 April 2019	Currently being assessed

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Notes to the Annual Financial Statements

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3. Investment property

	2019		2018	
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Cost / Valuation	Accumulated depreciation and accumulated impairment
Investment property	4 523 600	-	4 523 600	-

Reconciliation of investment property - 2019

	Opening balance	Total
Investment property	4 523 600	4 523 600

Reconciliation of investment property - 2018

	Opening balance	Transfers	Total
Investment property	5 251 600	(728 000)	4 523 600

A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality.

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Notes to the Annual Financial Statements

Figures in Rand

2019 2018

4. Property, plant and equipment

	2019			2018		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Land	728 000	-	728 000	728 000	-	728 000
Buildings	12 980 672	(4 307 981)	8 672 691	12 799 172	(3 852 650)	8 946 522
Capital Work in Progress	8 834 279	-	8 834 279	13 523 362	-	13 523 362
Furniture and fixtures	5 039 208	(4 590 199)	449 009	656 231	(151 028)	505 203
Motor vehicles	4 604 463	-	4 604 463	5 383 535	(1 382 035)	4 001 500
Office equipment	464 148	-	464 148	1 096 623	(675 836)	420 787
IT equipment	570 234	1 964	572 198	1 550 634	(988 617)	562 017
Infrastructure	62 146 626	(17 674 602)	44 472 024	54 241 729	(14 373 396)	39 868 333
Community	90 719 296	(23 030 718)	67 688 578	70 421 284	(20 140 095)	50 281 189
Other property, plant and equipment	100 226	-	100 226	178 787	-	178 787
Total	186 187 152	(49 601 536)	136 585 616	160 579 357	(41 563 657)	119 015 700

Reconciliation of property, plant and equipment - 2019

	Opening balance	Additions	Disposals	Transfers	Depreciation	Impairment loss	Total
Land	728 000	-	-	-	-	-	728 000
Buildings	8 946 522	181 500	-	-	(376 310)	(79 021)	8 672 691
Capital Work in Progress	13 523 362	24 480 586	-	(29 169 669)	-	-	8 834 279
Furniture and fixtures	505 203	35 814	(5 000)	-	(87 008)	-	449 009
Motor vehicles	4 001 500	1 280 000	(99 815)	-	(577 222)	-	4 604 463
Office equipment	420 787	148 984	(11 114)	-	(94 509)	-	464 148
IT equipment	562 017	163 547	(17 460)	-	(135 909)	-	572 198
Infrastructure	39 868 333	7 908 534	-	-	(3 304 843)	-	44 472 024
Community	50 281 189	21 261 135	(49 761)	-	(3 299 272)	(504 711)	67 688 578
Other property, plant and equipment	178 787	-	(12 200)	-	(66 361)	-	100 226
	119 015 700	55 460 100	(195 350)	(29 169 669)	(7 941 434)	(583 732)	136 585 616

Reconciliation of property, plant and equipment - 2018

	Opening balance	Additions	Disposals	Transfers	Depreciation	Impairment loss	Total
Land	-	728 000	-	-	-	-	728 000
Buildings	9 332 930	-	-	-	(386 408)	-	8 946 522
Capital Work in Progress	12 874 502	19 110 190	-	(18 461 330)	-	-	13 523 362
Furniture and fixtures	577 291	27 007	(11 834)	-	(87 260)	-	505 203
Motor vehicles	2 205 074	2 148 390	-	-	(351 964)	-	4 001 500
Office equipment	464 041	79 756	(26 448)	-	(96 560)	-	420 787
IT equipment	633 962	78 166	(19 735)	-	(130 376)	-	562 017
Infrastructure	38 931 798	6 028 455	(2 240 836)	-	(2 851 076)	-	39 868 333
Community	48 241 315	12 710 736	(6 053 563)	-	(2 664 772)	(1 952 528)	50 281 189
Other property, plant and equipment	183 199	98 658	(43 377)	-	(59 693)	-	178 787
	113 444 112	41 009 358	(8 395 793)	(18 461 330)	(6 628 109)	(1 952 528)	119 015 700

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4. Property, plant and equipment (continued)

Reconciliation of Work-in-Progress 2019

	Included within Infrastructure	Included within Community	Total
Opening balance	603 369	12 919 869	13 523 238
Additions/capital expenditure	7 305 165	17 175 545	24 480 710
Transferred to completed items	(7 908 534)	(21 261 135)	(29 169 669)
	-	8 834 279	8 834 279

Reconciliation of Work-in-Progress 2018

	Included within Infrastructure	Included within Community	Total
Opening balance	3 013 972	9 860 654	12 874 626
Additions/capital expenditure	3 617 851	15 492 215	19 110 066
Transferred to completed items	(6 028 454)	(12 432 876)	(18 461 330)
	603 369	12 919 993	13 523 362

Expenditure incurred to repair and maintain property, plant and equipment

Expenditure incurred to repair and maintain property, plant and equipment included in Statement of Financial Performance

Building and Facilities	4 882 275	3 185 069
Road Infrastructure	1 355 336	-
Equipment and other assets	-	13 553
Motor Vehicles	366 979	237 285
	6 604 590	3 435 907

A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality.

5. Intangible assets

	2019		2018			
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Cost / Valuation	Accumulated amortisation and accumulated impairment		
Computer software	1 082 624	(673 301)	409 323	1 082 624	(476 011)	606 613

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5. Intangible assets (continued)

Reconciliation of intangible assets - 2019

	Opening balance	Amortisation	Total
Computer software	606 613	(197 290)	409 323

Reconciliation of intangible assets - 2018

	Opening balance	Amortisation	Total
Computer software, other	803 902	(197 289)	606 613

6. Operating lease asset and liabilities

Current assets	88 400	88 400
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7. Employee benefit obligations

Defined benefit plan

Post retirement benefit plan

The municipal personnel are member of the Natal Joint Municipal Pension Retirement Fund, mainly Superannuation, Retirement and Provident Funds and there are few members who contributes to GEPF due to the fact that they were employed before the local government establishment. As the aforementioned funds multi-employer funds, the allocation of any surplus/ deficit to individuals funds cannot be determined. Furthermore disclosure of further details such as actuarial assumptions, cannot be attributed to any specific fund and is of no relevance to users of the Annual Financial Statements.

Post retirement medical aid plan

POST RETIREMENT MEDICAL BENEFITS

The Council operates a defined medical aid benefit scheme for the benefit of its permanent employees. Post -retirement medical benefits are offered to all employees by subsidising a portion of the medical aid contribution after retirement.

The amounts recognised in the statement of financial position are as follows:

Carrying value	4 210 196	3 572 866
Employee Benefit Obligation		

The fair value of plan assets includes:

In-service numbers

Number of in-service members	47	49
Average age	40.3	39.3
Average past service	9.1	9.4
Average present value of subsidy at retirement	R 2 231	R 1 252

Summary of the in-service membership

	Female	Male	Total
Number of in-service members	28	19	47
Number of pensioners	-	-	-
Average age	39.8	40.7	40.3
Average past service	10.0	8.3	9.1
Average number of dependents	1.7	1.8	1.7
	-	-	-

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7. Employee benefit obligations (continued)

We assumed that the marital status of members who are currently married will remain the same up to retirement. It was also assumed that 90% of all single employees would be married at retirement with no dependent children. Where necessary it was assumed that female spouses would be five years younger than their male spouse.

Decremental withdrawal rates

Age 20-24	9 %	24 %
Age 25-29	8 %	18 %
Age 30-34	6 %	15 %
Age 35-39	5 %	10 %
Age 40-44	5 %	6 %
Age 45-49	4 %	4 %
Age 50-54	3 %	2 %
Age 55-59	- %	1 %
Age 60 +	0 %	0 %
	-	-

Net expense recognised in the statement of financial performance

Current service cost	2 157 960	2 104 029
Past service cost	200 518	204 748
Interest cost	213 206	212 813
Actuarial (gains) losses	18 887	(363 630)
	2 590 571	2 157 960

Key assumptions used

Assumptions used at the reporting date:

Discount rates used	9.88 %	9.88 %
Expected rate of return on assets	7.24 %	7.58 %
Expected rate of return on reimbursement rights	2.46 %	2.14 %
Actual return on reimbursement rights	5.06 %	5.31 %
Medical cost trend rates	4.59 %	4.34 %

Demographic Assumptions

Demographic assumptions are required to estimate the changing profile of current employees and retirees who are eligible for post-employment benefits.

Pre-retirement Mortality

SA 85 - 90 ultimate table, adjusted for female lives.

Post retirement Mortality

PA (90) ultimate table

Average Retirement Age

The normal retirement age of employees is 65 for both male and females. It has been assumed that in-service members will retire at age 62 on average, which effectively implies that the expected rates of ill-health and early retirement are nil.

Long Service Awards and Retirement Gifts

The Council offers employees leave awards that may be exchanged for cash on certain anniversaries of commencing service.

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7. Employee benefit obligations (continued)

Accrued liability

Accrued liability (Non-current liability)

1 619 424

1 414 705

Comparison of assumption

Discount rate per annum	8.3 %	9.0 %
General Salary Inflation rate (long term)	5.7 %	6.0 %
Net effective discount rate	2.5 %	2.0 %
Retirement age (Average)	62	65

Comparison of eligible employees

Number of eligible employees	87	96
Average annual salary	209 709	224 929
Salary-weighted average age	40.5	39.7
Salary-weighted average age past service	9.0	6.9

Average retirement age 65

Pre-retirement mortality SA 85 - 90

Withdrawals rates

Age 20-24	9 %	24 %
Age 25-29	8 %	18 %
Age 30-34	6 %	15 %
Age 35-39	5 %	10 %
Age 40-44	5 %	6 %
Age 45-49	4 %	4 %
Age 50-54	3 %	2 %
Age 55-59	0 %	1 %
Age 60 +	0 %	0 %
	-	-

Past year and future projected liability

Opening accrued liability	1 414 905	1 201 955
Current - Service Cost	186 819	127 384
Interest cost	120 842	94 901
Benefit vesting	(77 528)	(169 665)
Actuarial loss/ (Gain)	(25 414)	160 330
	1 619 624	1 414 905

8. Receivables from exchange transactions

Payment In Advance	964 896	964 896
Other debtors	1 100	182 841
Other debtors - Eskom refund	-	535 435
Other debtors - UMDM	777 609	660 727
Consumer debtors - Refuse	415 898	187 865
	2 159 503	2 531 764

9. Receivables from non-exchange transactions

Consumer debtors - Rates	18 359 940	13 573 302
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10. Consumer debtors disclosure

Gross balances

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10. Consumer debtors disclosure (continued)		
Consumer debtors - Rates	28 961 132	22 588 255
Other debtors - UMDM	777 609	660 727
Consumer debtors - Refuse	528 909	347 584
	30 267 650	23 596 566
Less: Allowance for impairment		
Consumer debtors - Rates	(10 601 192)	(9 014 953)
Consumer debtors - Refuse	(113 011)	(159 719)
	(10 714 203)	(9 174 672)
Net balance		
Consumer debtors - Rates	18 359 940	13 573 302
Other debtors - UMDM	777 609	660 727
Consumer debtors - Refuse	415 898	187 865
	19 553 447	14 421 894
Included in above is receivables from exchange transactions		
Other debtors - UMDM	777 609	-
Refuse	415 898	187 866
	1 193 507	187 866
Included in above is receivables from non-exchange transactions (taxes and transfers)		
Rates	18 359 940	13 573 302
Net balance	19 553 447	13 761 168
Rates		
Current (0 -30 days)	3 475 105	4 819 162
31 - 60 days	1 015 705	1 241 725
61 - 90 days	884 217	587 580
91 - 120 days	801 231	502 891
121 - 365 days	725 336	491 835
> 365 days	10 763 581	5 465 703
	694 765	464 406
	18 359 940	13 573 302
Other debtors - UMDM		
Current (0 -30 days)	777 609	660 727
An amount of R777 609 has been raised as at 30 June 2019 against uMgungundlovu District Municipality for the electricity usage for Sewerage Pump site which was incorrectly paid by Mkhambathini Municipality.		
Refuse		
Current (0 -30 days)	41 817	39 700
31 - 60 days	22 974	21 918
61 - 90 days	16 190	13 911
91 - 120 days	14 230	11 424
121 - 365 days	12 760	9 132
> 365 days	307 927	91 781
	415 898	187 866

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10. Consumer debtors disclosure (continued)		
Reconciliation of allowance for impairment		
Balance at beginning of the year	(11 418 268)	(8 433 032)
Contributions to allowance	-	(2 985 236)
Reversal of allowance	704 065	-
	(10 714 203)	(11 418 268)

Councillors in Arrears

No councillors were in arrears with the municipality in 2018/19

11. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash on hand /Float	2 037	981
Standard Bank -Account number - 052149978 - Current account	6 804 197	1 596 843
Standard Bank -Account number - 354264338 - Market Link	-	41 756 672
Standard Bank -Account number - 358478994	57 134 917	15 618 893
	63 941 151	58 973 389

The municipality had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	30 June 2019	30 June 2018	30 June 2017	30 June 2019	30 June 2018	30 June 2017
STD BANK - 052 149 978 - (Primary Bank Account)	6 646 079	1 596 843	2 261 809	6 804 197	1 596 843	2 261 809
STD BANK - 354 264 338 - (Market Link)	-	41 568 543	50 553 493	-	41 568 543	50 553 493
STD BANK - 354 264 338 - (Fixed Deposit)	-	15 618 893	-	-	15 618 893	-
Cash on Hand - Petty Cash	2 037	981	521	2 037	981	521
STD BANK - Call Account - 358-478-994	57 134 917	-	-	57 134 917	-	-
Total	63 783 033	58 785 260	52 815 823	63 941 151	58 785 260	52 815 823

12. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

Unspent conditional grants and receipts

Municipal assistance programme	-	47 028
Community development workers grant	-	11 225
Housing grant	444 068	444 068
Lums grant	-	46 537
EPWP grant	-	(1)
Library grant	-	416 814
Sports field maintenance Grant	25 059	-
	469 127	965 671

Movement during the year

Library Grant

Opening balance	416 814	1 040 126
Current year receipts	1 617 000	795 000
Conditions met - transfer to revenue	(2 033 814)	(1 418 312)
Conditions still to be met - transfer to liabilities		
	-	416 814

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12. Unspent conditional grants and receipts (continued)

The purpose of the grant is to address the Constitutional mandate whereby public libraries are an exclusive provincial competency. The funding assists the municipalities with the provision of library services. The condition of the grant was not 100% funded which was caused by the late approval of the roll-over application.

MAP grant

Opening balance	47 028	47 028
Current year receipts	-	-
Repayment of unspent amount to KZN COGTA	(47 028)	-
Conditions still to be met - transfer to liabilities	-	47 028

The Department of Co-operative Governance and Traditional Affairs allocated a grant to municipality to assist the municipalities to implemented the Financial matters including but not limited to valuation roll implementation. The municipality implemented the project prior years and there was an amount which remains unspent and the municipality have transferred the total unspent grant back to the transferring department (KZN COGTA).

Community development workers

Opening balance	11 225	11 225
Current year receipts	-	-
Repayment of unspent amount to KZN COGTA	(11 225)	-
Conditions still to be met - transfer to liabilities	-	11 225

The Department of Co-operative Governance and Traditional Affairs allocated a grant to municipality to assist the municipalities with the implementation of the community development workers. The municipality implemented the project prior years and there was an amount which remains unspent and the municipality have transferred the the total unspent grant back to the transferring department (KZN COGTA).

Financial management grant

Current year receipts	1 970 000	1 900 000
Conditions met - transfer to revenue	(1 970 000)	(1 900 000)
Conditions still to be met - transfer to liabilities	-	-

The purpose of the grant is to promote and support reforms in financial management by building capacity in municipalities to implement the Municipal Finance Management Act. The municipality submitted the activity plan to National Treasury which was later approved. The approved activity plan was 100% implemented and the conditions of the grants was 100% met.

Housing grant

Opening balance	444 068	444 068
Current year receipts	-	-
Conditions still to be met - transfer to liabilities	444 068	444 068

The Department of Human Settlement allocated a grant to municipality to assist the municipalities to implemented the provision of housing to the community. The municipality implemented the project prior years and there was an amount which remains unspent and the municipality will write the motivation to the transferring department requesting to utilize the funding.

Lums grant

Opening balance	46 537	46 537
Current year receipts	-	-
Repayment of unspent amount to KZN COGTA	(46 537)	-
Conditions still to be met - transfer to liabilities	-	46 537

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12. Unspent conditional grants and receipts (continued)

The Department of Co-operative Governance and Traditional Affairs allocated a grant to municipality to assist the municipalities to implemented the Lums. The municipality implemented the project prior years and there was an amount which remains unspent and the municipality have transferred the the total unspent grant back to the transferring department (KZN COGTA).

Municipal infrastructure grant

Opening balance	-	1 440 197
Current year receipts	19 385 000	16 285 000
Conditions met - transfer to revenue	(19 385 000)	(17 725 197)

Conditions still to be met - transfer to liabilities

- -

The purpose of the grant is to provide specific capital finance for eradicating basic municipal infrastructure backlogs for poor households, micro enterprises and social institutions servicing poor communities. The municipality implemented infrastructure projects in line with the conditions of the grants and the 100% conditions of the grants was met.

Expanded Public Works Programme Grant

Opening balance	-	7 980
Current year receipts	1 034 000	1 089 000
Conditions met - transfer to revenue	(1 034 000)	(1 096 980)

Conditions still to be met - transfer to liabilities

- -

The purpose of the grant is to incentivise municipalities to expand work creation efforts through the use of labour intensive delivery methods in the following identified focus areas, in compliance with the Expanded Public Works Programme Guidelines. The grant was 100% implemented and the conditions of the grants was 100% met.

Sports field Maintenance Grant

Current year receipts	50 000	-
Conditions met - transfer to revenue	(24 941)	-

Conditions still to be met - transfer to liabilities

25 059 -

The purpose of the grant is to incentivize municipalities to expand work creation efforts through the use of labour intensive delivery methods on the maintenance of sports fields. The grant was not 100% implemented because the grant was received late in the financial year and the conditions of the grants was therefore not 100% spent as at 30 June 2019.

Electrification

Opening balance	-	2 398 234
Rollover not approved, Paid back to National Revenue Fund	-	(1 446 000)
Current year receipts	8 000 000	8 000 000
Conditions of the Grants met	(8 000 000)	(8 952 234)

Conditions still to be met - transfer to liabilities

- -

The purpose of the grant is to implement the Integrated National Electrification Programme by providing capital subsidies to municipalities to address the electrification backlog of occupied residential dwellings, and the installation of bulk infrastructure. The municipality met the condition of the grant 100% and grant was spend to complete Phase 1 of Njobokazi (Ward 4) Electrification Project.

The nature and extent of government grants recognised in the annual financial statements is an indication of other forms of government assistance from which the municipality has directly benefited;

Unfulfilled conditions and other contingencies attaching to government assistance has been recognised as a current liabilities.

These amounts are invested in a seperate bank account and are supported by cash in the bank.

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13. Provisions

Reconciliation of provisions - 2019

	Opening Balance	Additions	Total
Provision for leave	2 115 010	238 085	2 353 095

Reconciliation of provisions - 2018

	Opening Balance	Additions	Total
Provision for leave	1 942 586	172 424	2 115 010

The leave provision represents managements best estimate of the municipality's liability under one period based on prior experience.

14. Payables from exchange transactions

Trade payables	2 283 214	3 667 009
Payments received in advanced - debtors	328 767	479 649
Other creditors	354 929	495 578
Retention	1 932 192	1 612 476
Insurance Claim - Late Cllr Mkhize	300 000	-
	5 199 102	6 254 712

15. VAT payable

Tax refunds payables	383 238	197 172
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16. Revenue

Service charges	525 667	497 749
Interest received (trading)	50 507	31 824
Commissions received	1 552 924	1 461 289
Other income	673 936	1 154 748
Interest received - investment	4 539 279	3 483 773
Property rates	14 291 859	13 574 073
Property rates - penalties imposed	3 697 592	2 888 141
Government grants & subsidies	79 993 754	73 337 407
Fines, Penalties and Forfeits	27 055	26 250
Licenses and permits	4 909 459	4 602 934
Other transfer revenue 2	101 636	103 687
	110 363 668	101 161 875

The amount included in revenue arising from exchanges of goods or services are as follows:

Service charges	525 667	497 749
Interest received - refuse removal	50 507	31 824
Commissions received	1 552 924	1 461 289
Other income	673 936	1 154 748
Interest received - investment	4 539 279	3 483 773
	7 342 313	6 629 383

The amount included in revenue arising from non-exchange transactions is as follows:

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16. Revenue (continued)		
Taxation revenue		
Property rates	14 291 859	13 574 073
Property rates - penalties imposed	3 697 592	2 888 141
Transfer revenue		
Donations Income	79 993 754	73 337 407
Fines, penalties and forfeits	27 055	26 250
Licenses and Permits	4 909 459	4 602 934
uMgungundlovu District Municipality electricity usage refund	101 636	103 687
	103 021 355	94 532 492
17. Service charges		
Refuse removal	525 667	497 749
18. Other income		
Included on the non-exchanged transaction is an amount of R101 636 which arises from the debt raised against uMgungundlovu District Municipality for the repayment of sewerage pump billing from Eskom.		
The amount included in other revenue arising from non-exchange transactions is as follows:		
Taxation revenue		
uMgungundlovu District Municipality electricity usage refund	101 636	103 687
19. Other income		
Operating lease income	-	69 574
Library Income	2 465	1 953
Clearance Certificates	10 812	15 105
Tender Fees	173 400	164 778
Building Plan (Plan Fees)	188 324	410 197
Insurance Claims refund	131 609	336 088
UMDM and DSD Receipts	24 853	124 959
Planning Application Fee	39 368	8 814
Skills Development Refund	103 105	23 280
	673 936	1 154 748
20. Interest received		
Interest revenue		
Interest earned from investments	4 539 279	3 483 773

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21. Property rates

Rates received

Residential	3 134 464	2 978 540
Commercial	726 129	711 094
State and Education	2 302 235	1 479 119
Agriculture	2 728 064	3 139 147
Public service infrastructure	139 623	134 029
Sectional Title	973 163	973 163
Other Properties	161 508	135 793
Industrial	5 689 593	5 528 243
Less: Income forgone	(1 562 920)	(1 505 055)
	14 291 859	13 574 073
Property rates - penalties imposed	3 697 592	2 888 141
	17 989 451	16 462 214

Valuations

Residential	291 702 000	291 702 000
Commercial	94 983 000	94 983 000
State and education	146 061 120	146 061 120
Agriculture	1 408 358 000	1 408 358 000
Public service infrastructure	86 308 600	86 308 600
Sectional Title	75 783 000	75 783 000
Other Properties	230 502 540	230 502 540
Industrial	680 357 000	680 357 000
	3 014 055 260	3 014 055 260

Valuations on land and buildings are performed every 5 years. The last general valuation came into effect on 1 July 2015. Interim valuations are processed on an annual basis to take into account changes in individual property values due to alterations and subdivisions.

The movement on the valuation roll was due to the new properties which was transferred from other municipalities due to redemarcation which was implemented as from August 2016 but was only effected on the Supplementary Valuation Roll in 2017/18 Financial Year.

22. Government grants and subsidies

Operating grants

Equitable share	55 546 000	51 173 000
Library - Grant Income	2 033 814	1 418 312
Financial Management Grant	1 970 000	1 900 000
Sports field Maintenance Grant	24 941	-
LGSETA	-	23 917
EPWP Grant	1 033 999	1 096 981
	60 608 754	55 612 210

Capital grants

Municipal Infrastructure Grant	19 385 000	17 725 197
Total Grants and subsidies	79 993 754	73 291 407

23. Employee related costs

Basic	24 910 123	23 423 021
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23. Employee related costs (continued)		
Bonus	1 360 384	1 362 447
Medical aid	1 419 978	1 360 235
UIF	183 529	188 409
WCA	-	5 952
SDL	289 153	268 018
Leave pay provision charge	1 106 951	1 484 052
Phone Allowance	66 720	61 820
Defined contribution plans	3 309 829	3 139 953
Travel, motor car, accommodation, subsistence and other allowances	560 912	416 000
Overtime payments	338 315	1 358 551
Acting allowances	73 735	8 246
Housing benefits and allowances	175 855	247 889
Bargaining Council Contributions	20 922	32 158
Stipend - Ward Committee	816 000	784 000
	34 632 406	34 140 751

Remuneration of Municipal Manager

Annual Remuneration	564 596	972 803
Car Allowance	42 000	72 000
Performance Bonus	-	69 550
Back pay	25 621	25 621
Leave Payout	229 719	229 719
Cellphone Allowance	12 000	19 500
	873 936	1 389 193

The Municipal Manager resigned from her position with effect from 01 March 2019

Remuneration of Chief Financial Officer

Annual Remuneration	603 858	422 735
Car Allowance	168 000	88 000
Performance Bonuses	-	60 665
Leave Payout	41 678	186 989
Housing and other allowances	63 342	26 392
Cellphone Allowance	14 400	8 400
Back pay	18 532	-
	909 810	793 181

Remuneration of Manager of Community Services

Annual Remuneration	611 023	384 184
Car Allowance	144 000	99 000
Back Pay	16 680	3 442
Leave payout	18 676	-
Cellphone Allowance	9 600	6 400
	799 979	493 026

Remuneration of Manager Technical Services

Annual Remuneration	575 022	405 570
Car Allowance	180 000	135 000
Back Pay	16 680	6 885
Leave Payout	31 258	-
Cellphone Allowance	9 600	7 200

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23. Employee related costs (continued)	812 560	554 655

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23. Employee related costs (continued)		
Remuneration of Manager of Corporate Services		
Annual Remuneration	816 000	707 329
Car Allowance	24 000	22 000
Acting allowance	27 830	-
Leave Payout	15 074	23 067
Back Pay	18 533	15 299
Cellphone Allowance	9 600	8 800
	911 037	776 495
The Corporate Services Manager was appointed Acting Municipal Manager as from 04 March 2019 to 30 June 2019.		
24. Remuneration of councillors		
Mayor	872 049	800 517
Deputy Mayor	706 600	649 292
Exco Members	390 739	360 767
Speaker	706 600	649 294
Councillors	2 764 130	2 361 636
Section 79 Councillor	369 053	351 479
	5 809 171	5 172 985
25. Administrative expenditure		
Contributions to Medical Aid and long service awards	637 330	266 881
26. Depreciation and amortisation		
Property, plant and equipment	7 941 434	6 628 112
Intangible assets	197 290	197 290
	8 138 724	6 825 402
27. Impairment of assets		
Impairments		
Property, plant and equipment	583 732	1 952 528
The main classes of assets affected by impairment losses was Buildings and Community Assets class. The main reasons for the impairment was due to damages on municipal assets due to public vandalism.		
28. Debt impairment		
Debt impairment	1 539 532	741 640
29. General expenses		
Materials	12 017	30 584
Advertising	339 347	388 172
Pound Security	-	21 239
Infrastructure and Planning	3 222 602	-
Face Value - Licence Card Renewals	1 011 631	1 098 813
Business and Advisory Services	4 997 088	2 027 103
Consumables	1 273 995	1 516 835
Landfill Site Fees	200 733	228 736

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29. General expenses (continued)		
Operating leases	330 017	501 954
Other Contractors	1 818 959	1 868 045
Community development and training	152 153	440 258
Bank Charges	181 310	170 456
Information Technology Services	718 647	906 618
SALGA Membership fees	503 200	627 875
Communication/ Newsletter	-	646 223
Hygiene Services	17 112	-
Licence Renewal	56 131	13 354
Legal costs	69 507	792 149
Disaster Management	45 723	124 769
Transportation	1 795 704	1 403 415
Internal Auditors	1 090 510	784 703
Postage and courier	26 071	18 427
Printing and stationery	183 318	53 933
Art & Culture	1 210 895	817 628
Security Services	26 856	14 396
Repairs and maintenance - unspecified Assets	3 271 981	2 960 430
Repairs and maintenance - Building and Facilities	3 099 817	3 378 200
Repairs and maintenance - Office Equipment	-	13 553
Security Charges - Banking	64 826	79 701
Training and Development	329 405	134 722
Subsistance and Travelling	1 098 786	545 811
Assets expensed	969 334	-
Water and Electricity	854 159	365 153
Tracker Subscription	-	43 988
Building Control	-	11 375
Sport and Recreation	-	143 029
Other Expenses	276 813	299 367
Civic and Hospitality	712 795	160 160
Catering Services	802 855	36 944
	30 764 297	22 668 118

Contracted services has been reclassified to General Expenses.

The amount included on the General Expenses of R3 222 602 as infrastructure and planning was incurred by the municipality for the preparation and planning of the electrification of Njokazi Electrification Project. The project implementation was funded by Department of Energy through INEP Grant.

30. Auditors' remuneration

External Audit Fees	1 233 373	1 264 610
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31. Operating lease commitments (lessee)

Operating Lease payment rentals payable by the municipality for certain office photocopying machines. Leases are negotiable between three to five years. Lease rentals escalates between 0 to 10 % per annum over the period of lease.

Operating Lease - as lessee (Expense)

Minimum Lease Payment Due	2019	2018
Within 1 Year	57 346	144 932
Between two to five years	-	93 851
	57 346	238 783

32. Operating lease commitments (lessor)

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Notes to the Annual Financial Statements

Figures in Rand	2019	2018
Present value of minimum lease payment due		
Within 1 Year	68 572	68 572
Between two to five years	137 145	205 717
	205 717	274 289
33. Cash generated from operations		
Surplus	26 829 753	19 706 850
Adjustments for:		
Depreciation and amortisation	8 138 724	6 825 402
Loss on sale of assets	195 350	8 422 170
Impairment deficit	583 732	1 952 528
Debt impairment	1 539 532	741 640
Movements in retirement benefit assets and liabilities	637 330	266 881
Movements in provisions	238 085	172 424
Changes in working capital:		
Inventories	-	-
Receivables from exchange transactions	(338 757)	(407 476)
Receivables from non-exchanged transactions	(7 224 548)	(3 093 651)
Payables from exchange transactions	969 469	(1 348 343)
VAT Payable	186 066	(551 026)
Unspent conditional grants and receipts	(496 544)	(4 515 725)
	31 258 192	28 171 674

34. Capital Commitments

Committed in respect of Capital Expenditure

Approved and already contracted for

• Community Assets/ Facilities	2 228 693	16 308 752
• Road Infrastructure Assets	4 119 680	7 704 223
	6 348 373	24 012 975

Approved but Not yet contracted for

• Community Assets/ Facilities	17 927 441	2 700 000
• Road Infrastructure Assets	300 000	2 850 500
• Other assets (PPE)	800 000	-
	19 027 441	5 550 500

Total capital commitments

Approved and already contracted for	6 348 373	24 012 975
Approved but Not yet contracted for	19 027 441	5 550 500
	25 375 814	29 563 475

35. Contingent Liability

Litigation is in the process against the municipality relating to a dispute with a competitor who alleges that the municipality has infringed patents and is seeking damages of a certain amount of money. The municipality's lawyers and management consider the likelihood of the action against the municipality being successful as unlikely, and the case should be resolved within the next two years.

The municipality does not have any litigations.

36. Related parties

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Notes to the Annual Financial Statements

Figures in Rand	2019	2018
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36. Related parties (continued)

The remuneration for councillors and salaries for key management personnel are disclosed under Note 22 and 23 and they are reported as line items on the face of Statement of Financial Performance.

Related party balances

Amount included on general expenses relates to related party for UMDM Shared Services for planning departments and other departments with the uMgungundlovu District Municipality. The other amount included on the General expenses is the amount paid to uMgungundlovu District Municipality for water accounts and amount paid to uMsunduzi Local Municipality for the land fill site expenses.

General Expenses

uMgungundlovu District Municipality	392 239	110 386
The Msunduzi Municipality	167 661	58 568
	559 900	168 954

37. Prior period errors

The consumer debtors (rates) were affected by the Valuations Appeals Board which ruled on the exemption of one property and the reduction of market value on the other property. The ruling was not implemented during the year (2017/18) and the municipality did not challenge the ruling from court of law which resulted on the Valuations Appeals Board decision being valid. The adjustment has been made to correct the prior year error.

The depreciation on assets has been recalculated after there were differences identified by auditors during the audit in 2017/18 Financial Year. The formulas for the depreciation's calculations has been reviewed which resulted on the adjustment from prior year. They were also an error on the accounting treatment of retentions from prior year which needed corrections.

The correction of the error(s) results in the restatement of as follows:

Statement of financial position

Receivables from non-exchange transactions	-	13 573 302
Receivables from exchange transactions	-	2 531 764
Property, plant and equipment	-	119 015 701
Intangible assets	-	606 613
Payables from exchange transactions	-	6 254 712
VAT Payable	-	197 172
Net Surplus for the Year	-	19 706 850

Statement of Financial Performance

Property Rates	-	13 574 073
Property rates - penalties imposed	-	2 888 141
Interest received - Investment	-	3 483 773
Interest received - refuse removal	-	31 824
Other income	-	103 687
Depreciation expense	-	6 825 402
Debt Impairment	-	741 640
General Expenses	-	22 668 118

38. Correction of error

The municipality received the ruling from Municipal Valuations Appeals Board for the adjustment on two properties which was going to affect the previous year's revenue due to the reduction on the market value and the ruling on the exemption on the other property. The ruling was communicate to the municipality in January 2018 the adjustment was not implemented. The previous year's retention raised was incorrectly paid using incorrect amounts from 2014/15 to 2017/18 financial which resulted to the overstatement of retention amount which has been corrected. Prior year depreciation has been re-calculation which resulted to an additional amount of depreciation for previous year.

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Annual Financial Statements for the year ended 30 June 2019

Notes to the Annual Financial Statements

Figures in Rand

2019

2018

38. Correction of error (continued)

The adjustment has affected both statement of financial position and statement of financial performance for previous year.

The face of the Annual Financial Statements was affected as follows:

Statement of financial position

2018

	Note	As previously reported	Correction of error	Restated
Receivables from non-exchange transactions	9	16 212 305	(2 639 003)	13 573 302
Property, Plant and Equipment	4	119 103 374	(87 673)	119 015 701
Intangible Assets	5	607 574	(961)	606 613
Payables from exchange transactions	14	(8 382 753)	2 128 041	(6 254 712)
VAT Payable	15	(139 772)	(57 400)	(197 172)
Receivables from exchange transactions	8	1 335 602	1 196 162	2 531 764
		128 736 330	539 166	129 275 496

Statement of financial performance

2018

	Note	As previously reported	Correction of error	Restated
Property Rates	21	14 218 826	(644 753)	13 574 073
Interest received - investment		7 085 124	(3 601 351)	3 483 773
Interest received - refuse removal		-	31 824	31 824
Property rates - penalties imposed		-	2 888 141	2 888 141
Contracted Services		(14 494 338)	14 494 338	-
General expenses		(8 516 043)	(14 152 075)	(22 668 118)
Depreciation		(6 737 729)	(87 673)	(6 825 402)
Debt Impairment		(2 985 237)	2 243 597	(741 640)
Surplus for the year		(11 429 397)	1 172 048	(10 257 349)

39. Risk management

Liquidity risk

The municipality's risk to liquidity is a result of the funds available to cover future commitments. The municipality manages liquidity risk through an ongoing review of future commitments and credit facilities.

Cash flow forecasts are prepared and adequate utilised borrowing facilities are monitored.

The amount reflected within trade and other payables from exchange transactions are R 5,142,856 (2018: R6,032,759)

Credit risk

Credit risk consists mainly of cash deposits, cash equivalents, derivative financial instruments and trade debtors. The municipality only deposits cash with major banks with high quality credit standing and limits exposure to any one counter-party.

Trade receivables comprise a widespread customer base. Management evaluated credit risk relating to customers on an ongoing basis. If customers are independently rated, these ratings are used. Otherwise, if there is no independent rating, risk control assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the board. The utilisation of credit limits is regularly monitored. Sales to retail customers are settled in cash or using major credit cards. Credit guarantee insurance is purchased when deemed appropriate.

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39. Risk management (continued)

Financial assets exposed to credit risk at year end were as follows:

Financial instrument	2019	2018
Cash and Cash Equivalent	63 941 151	58 973 389
Consumer debtors	19 553 447	13 761 167

40. Going concern

We draw attention to the fact that at 30 June 2019, the municipality had an accumulated surplus / (deficit) of R 213 452 775 and that the municipality's total assets exceed its liabilities by R 213 452 775.

The annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

The ability of the municipality to continue as a going concern is dependent on a number of factors. The most significant of these factors is the ability of the accounting officer to continue procure funding for the ongoing operations for the municipality.

The assumption is that the municipality will be able to continue operating for a period of time that is sufficient to carry out its commitments, obligations, objectives, and so on. The municipality will not have to liquidate or be forced out of business in the foreseeable future. The municipal current cash and cash equivalent amount (R63 941 151) is sufficient for the municipality to pay its current obligations (R8 500 250) and continue operate for at least more than six months without considering any income to be received by the municipality during the six months' period.

41. Events after the reporting date

- No events occurred after reporting date.

42. Unauthorised expenditure (Non - cash items)

Opening balance as previously reported	3 962 379	-
Opening balance	3 962 379	-
Debt impairment	839 532	1 352 556
Depreciation	1 026 125	618 204
General Expenses	637 330	1 991 619
Loss on disposal of Assets	145 589	-
Asset Impairment	583 732	-
Closing balance	7 194 687	3 962 379

Analysed as follows: non-cash

Depreciation and amortisation	1 026 125	618 204
Loss on disposal of property, plant and equipment	637 330	-
Provision of impairment	839 532	1 352 558
Loss on disposal of Assets	145 589	-
Asset Impairment	583 732	-
Closing balance	3 232 308	1 970 762

The total savings on other items has been used to cover the cost for the unauthorised expenditure incurred for non-cash items.

Analysed as follows: cash

General expenditure	-	1 991 619
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The total savings on other items has been used to cover the cost for the unauthorised expenditure incurred for cash items

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Annual Financial Statements for the year ended 30 June 2019

Notes to the Annual Financial Statements

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43. Fruitless and wasteful expenditure

Opening balance as previously reported	4 237 048	4 208 315
Add: Fruitless and Wasteful Expenditure - current year	1 024 951	28 733
Opening balance as restated	5 261 999	4 237 048
Closing balance	5 261 999	4 237 048

The municipality incurred fruitless and wasteful expenditure for the amounts to R1 024 951 and it relates to the interest paid to Eskom and Telkom accounts which was paid after the due date. The due date for the two entities is not in line with MFMA which requires invoices to be paid within 30 days. Eskom raise interest for anything not paid within 10-15 days. An amount of R969 334 was paid to Majiki Construction for the construction of Nkosi Mdluli Hall. The site was later changed to a new site which resulted to a fruitless and wasteful expenditure.

44. Irregular expenditure

Opening balance	10 809 866	5 166 155
Add: Irregular Expenditure - current year	2 863 815	4 748 905
Opening balance as restated	13 673 681	9 915 060
Add: Irregular Expenditure - prior period	-	894 806
Closing balance	13 673 681	10 809 866

The contract for First technology was identified as irregular expenditure in prior years and the expenditure for the contract until the expiry of the contract is therefore irregular until the municipality re-advertise and appoint the service provider following SCM processes. An amount of R436 905 was incurred during 2018/19 financial year in relation to the First Technology contract.

The municipality is currently utilizing Standard Bank for Banking Services and the account was opened in 1990. The municipality have not implemented a Supply Chain Management Process to appoint the bank for the municipality since then which is not in line with the Municipal Supply Chain Management Regulations. The expenditure which relates to Standard Bank was identified as irregular during the audit, 2017/18 financial year and therefore the expenditure incurred during 2018/19 financial year for the same contract is irregular expenditure. An amount of R181 310 has been incurred during 2018/19 financial year and the full amount is therefore irregular expenditure. An amount of R1 069 840 was incurred due to local content requirements which was not followed. The municipality also incurred an amount of R1 million due to incorrect functionality used for the evaluation of the bid.

Incidents/cases identified in the current year include those listed below:

Cases under investigation

Amounts written-off

45. Additional disclosure in terms of Municipal Finance Management Act

Contributions to organised local government

Amount paid - current year	503 200	627 875
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Audit fees

Amount paid - current year	1 233 373	1 264 610
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PAYE and UIF

Current year subscription / fee	6 033 626	5 864 634
Amount paid - current year	(6 033 626)	(5 806 327)

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45. Additional disclosure in terms of Municipal Finance Management Act (continued)

58 307

Pension and Medical Aid Deductions

Opening balance	418	-	-
Current year subscription / fee	6 877 046	6 612 544	
Amount paid - current year	(6 877 464)	(6 612 126)	
	-	418	

VAT Receivable

All VAT returns have been submitted by the due date throughout the year.

46. Deviation from procurement processes

Paragraph 12(1)(d)(i) of Government gazette No. 27636 issued on 30 May 2005 states that a supply chain management policy must provide for the procurement of goods and services by way of a competitive bidding process.

Paragraph 36 of the same gazette states that the accounting officer may dispense with the official procurement process in certain circumstances, provided that he records the reasons for any deviations and reports them to the next meeting of the Council and includes a note to the annual financial statements. The transaction amounting to R1 740 730 was incurred during the financial year and were reported to Council quarterly and all of them were approved by council.

Goods and services procured during the financial year under review and the process followed in procuring those goods deviated from the provisions of paragraph 12(1)(d)(i) as stated above. The reasons for these deviations were documented and reported to the Council who considered them and subsequently approved the deviation from the normal supply chain management regulations.

Popsprint and stationers	-	112 575
Chubb Fire and security	-	16 557
Red Alert	44 660	20 520
Magma Security	4 000	318 813
Ion COnsulting	4 025	124 260
Driving license card	469 892	849 412
Gijima Holdings	-	7 224
Key Truck and cars PTY LTD	-	7 754
Hino Pietermaritzburg	59 899	108 617
Government printing works	5 583	14 713
UMgungundlovu community radio station	-	4 750
Lincroft books	-	32 807
Radio World cc	-	7 500
Fernhill Hotel	-	17 640
Lion Park Lodge	-	37 150
City of Choice	-	3 492
Human Communication	-	7 998
Maritzburg Central	14 671	8 011
Tyrall's Towing & Repair services	4 500	8 000
Sanitec	-	5 130
Hilton Life Hospital	-	3 345
Altans motor services	8 260	5 514
Mathibidi Transport (Pty) Ltd	6 150	-
Mthokozisi Zwane	55 000	-
Camperdown Motors	22 466	-
Estone Service Station	88 956	18 948
	788 062	1 740 730

The reasons for deviation per line item are as follows:

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Notes to the Annual Financial Statements

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46. Deviation from procurement processes (continued)

Popsprint and stationers

The municipality couldn't follow the SCM process for the acquisition of the Learners and Drivers licence application forms because the service is provided by Popsprint only and the deviation was reported and approved for sole supplier for an amount of R112 575.

- 112 575

Chubb Fire and security

The municipality appointed Chubb Security for the installation of the security control equipment which include access control door, boom gate etc. The equipment needed some maintenance and as the supplier who installed the equipment it was then decided that we engage them to fix what the supplied to us.

- 16 556

Red Alert

The municipality engaged Red Alert for the installation of the CCTV Cameras and recording machines for the cameras and every time cameras having a problem or faulty, Red Alert is called to fix them hence expenditure of R20 520 was incurred during the year.

44 660 20 520

Magma Security

Magma Security was engaged after they were security risks for the Municipal Manager and there was a need to provide Bodyguard for MM and that was treated as case of emergency.

4 000 318 812

Ion Consulting

Ion is ICT consultant the municipality have and they were engaged on an emergency perspective.

4 025 124 260

Driving license card

Only one company who make the drivers licenses in South Africa hence no either way the municipality must engage them for the service.

469 892 849 412

Gijima Holdings

Type of the qualification verification and assessment for the appointment of Senior managers required the municipality to engage with the service provider and they provide the type of verification and assessment that was required.

- 7 224

Key Truck and cars PTY LTD

Municipality owns Isuzu cars and the repairs for these cars cannot be done by any other garage beside Isuzu garage. Key Truck specialize with Isuzu cars.

- 7 753

Hino Pietermaritzburg

Municipality owns Hino truck and the truck needed some repairs and the only way was to send it to Hino garage.

59 899 108 617

Government printing works

Only one government printing works who deals with gazette in South Africa.

5 583 14 712

UMgungundlovu community radio station

The municipality wanted the Hon. Mayor to have a slot on local radio (UMgungundlovu radio).

- 4 750

Lincroft books

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46. Deviation from procurement processes (continued)

Advertising on the Eyethu, which is the UMgungundlovu newspaper was done by the municipality due to targeted audience. - 32 807

Radio World cc

In December 2017, 22 after the municipality and most companies were closed, the municipality had a challenge with the loud healing equipment which was working during the month but only gave problem when there was a meeting on the next day which required loud healing therefore the expenditure was incurred to fix the loud healing equipment due to emergency. - 7 500

Fernhill Hotel

SCM processes was followed and Fernhill Hotel was appointed for the certain number of players and technical team for the District Games but due to unforeseen circumstances the number of delegates was miss calculated then there was addition of number of delegate/ participants which caused the increase in terms of price. - 17 640

Lion Park Lodge

EPWP had an induction for all newly appointed employees and the decision was to conduct the induction within the jurisdiction of the municipality and the only place who had enough rooms and conference room was Lion Park Lodge which was also central when looking at the ward demarcations - 37 150

City of Choice

Emergency for the Municipal Manager to attend the meeting and the three quotes could not be sourced. - 3 491

Human Communication

Municipality wanted to advertise on the Isolezwe and Witness and the quote was the requested from the human communication as it was emergency. - 7 998

Maritzburg Central

Insurance claim was done and the municipality was expected to pay the excess fees therefore no SCM process was followed for the excess. 14 671 8 010

Tyrall's Towing & Repair services

There was a breakdown for the municipal car then the towing of the municipal car was required immediately and as case of emergency Tyrall's Towing was engaged. 4 500 8 000

Sanitec

Sewage was the biggest challenge in the municipal building and we couldn't wait for UMgungundlovu District Municipality and for environmental issues we had to act immediately and correct the situation. - 5 130

Hilton Life Hospital

Participant during the District Games got injured and broke his leg and an emergency was attended and the closest hospital was Hilton Life Hospital - 3 345

Mathibidi Transport (Pty) Ltd

It was impractical to follow SCM Processes

6 150 -

Mthokozisi Zwane

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46. Deviation from procurement processes (continued)

The municipality was assisting the artist with the launch of the CD which was not practical for the municipality to follow SCM Processes.

55 000 -

Camperdown Motors

Strip and quote for the repairs of the municipal vehicles.

22 466 -

Altans Motors

Municipality utilized altans motors for the repairs and maintenance of the municipal cars.

8 260 5 514

Estone service station

Estone service station assisted the municipality with the stripe and quote for the municipal tractor and the incident reported attended on an emergency basis because the tractor couldn't continue with the journey and three quote could not be sourced (Strip and quote basis).

88 956 18 948

47. VAT Payable

Heading

VAT Payable

297 091 139 772

Appendix G3

Budgeted Financial Performance (revenue and expenditure) for the year ended 30 June 2019

2019/2018

2018/2017

	Original Budget	Budget Adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. Council approved policy)	Final Budget	Actual Outcome	Unauthorised expenditure	Variance of Actual Outcome against Adjustments Budget	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Reported unauthorised expenditure	Expenditure authorised in terms of section 32 of MFMA	Balance to be recovered	Restated Audited Outcome
	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand
Revenue By Source															
Property rates	14 272 414	-	14 272 414	-		14 272 414	14 291 859		19 445	100 %	100 %				13 574 073
Service charges - electricity revenue	-	-	-	-		-	-		-	DIV/0 %	DIV/0 %				-
Service charges - water revenue	-	-	-	-		-	-		-	DIV/0 %	DIV/0 %				-
Service charges - sanitation revenue	-	-	-	-		-	-		-	DIV/0 %	DIV/0 %				-
Service charges - refuse revenue	562 330	-	562 330	-		562 330	525 667		(36 663)	93 %	93 %				497 749
Commission received	-	-	-	-		-	1 552 924		1 552 924	DIV/0 %	DIV/0 %				1 461 289
Rental of facilities and equipment	-	-	-	-		-	-		-	DIV/0 %	DIV/0 %				-
Interest earned - external investments	3 015 705	200 000	3 215 705	-		3 215 705	4 539 279		1 323 574	141 %	151 %				3 483 773
Interest earned - outstanding debtors	1 285 210	423 173	1 708 383	-		1 708 383	3 748 098		2 039 715	219 %	292 %				2 919 964
Dividends received	-	-	-	-		-	-		-	DIV/0 %	DIV/0 %				-
Fines, penalties and forfeits	-	-	-	-		-	27 055		27 055	DIV/0 %	DIV/0 %				26 250
Licences and permits	5 331 171	1 066 234	6 397 405	-		6 397 405	4 909 459		(1 487 946)	77 %	92 %				4 602 934
Agency services							-		-	DIV/0 %	DIV/0 %				-
Transfers and subsidies	68 167 000	(7 950 000)	60 217 000	-		60 217 000	60 608 754		391 754	101 %	89 %				55 566 210
Other revenue	943 226	1 800	945 026	-		945 026	775 573		(169 453)	82 %	82 %				1 258 436
Gains on disposal of PPE	-	-	-	-		-	-		-	DIV/0 %	DIV/0 %				-
Total Revenue (excluding capital transfers and contributions)	93 577 056	(6 258 793)	87 318 263	-		87 318 263	90 978 668		3 660 405	104 %	97 %				83 390 678

Appendix G3

Budgeted Financial Performance (revenue and expenditure) for the year ended 30 June 2019

2019/2018

2018/2017

	Original Budget	Budget Adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. Council approved policy)	Final Budget	Actual Outcome	Unauthorised expenditure	Variance of Actual Outcome against Adjustments	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Reported unauthorised expenditure	Expenditure authorised in terms of section 32 of MFMA	Balance to be recovered	Restated Audited Outcome
	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Budget Rand	Rand	Rand	Rand	Rand	Rand	Rand
Expenditure By Type															
Employee related costs	32 227 220	-	32 227 220	-	-	32 227 220	34 632 406	-	2 405 186	107 %	107 %	-	-	-	34 140 751
Remuneration of councillors	5 863 754	-	5 863 754	-	-	5 863 754	5 809 171	-	(54 583)	99 %	99 %	-	-	-	5 172 985
Asset impairment	-	-	-	-	-	-	583 732	-	583 732	DIV/0 %	DIV/0 %	-	-	-	1 952 528
Depreciation & asset impairment	6 466 000	646 600	7 112 600			7 112 600	8 138 725	-	1 026 125	114 %	126 %	-	-	-	6 825 402
Bank charges	195 528	-	195 528	-	-	195 528	181 310	-	(14 218)	93 %	93 %	-	-	-	170 456
Bulk purchases	-	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
Debt impairment	700 000	-	700 000	-	-	700 000	1 539 532	-	839 532	220 %	220 %	-	-	-	741 640
Contracted services	-	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
Transfers and subsidies	-	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
Other expenditure	67 197 299	3 672 996	70 870 295	-	-	70 870 295	32 453 689	-	(38 416 606)	46 %	48 %	-	-	-	24 029 153
Loss on disposal of PPE	-	-	-	-	-	-	195 350	-	195 350	DIV/0 %	DIV/0 %	-	-	-	8 422 110
Total Expenditure	112 649 801	4 319 596	116 969 397	-	-	116 969 397	83 533 915	-	(33 435 482)	71 %	74 %	-	-	-	81 455 025
Surplus/(Deficit)	(19 072 745)	(10 578 389)	(29 651 134)	-	-	(29 651 134)	7 444 753	-	37 095 887	(25)%	(39)%	-	-	-	1 935 653
Transfers and subsidies - capital (monetary allocations) (National / Provincial and District)	15 885 000	3 500 000	19 385 000	-	-	19 385 000	19 385 000	-	-	100 %	122 %	-	-	-	17 725 197
Transfers and subsidies - capital (monetary allocations) (National / Provincial Departmental Agencies, Households, Non-profit Institutions, Private Enterprises, Public Corporations, Higher Educational Institutions)	-	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
Transfers and subsidies - capital (in-kind - all)	-	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
Surplus/(Deficit) after capital transfers & contributions	(3 187 745)	(7 078 389)	(10 266 134)	-	-	(10 266 134)	26 829 753	-	37 095 887	(261)%	(842)%	-	-	-	19 660 850
Taxation	-	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
Surplus/(Deficit) after taxation	(3 187 745)	(7 078 389)	(10 266 134)	-	-	(10 266 134)	26 829 753	-	37 095 887	(261)%	(842)%	-	-	-	19 660 850
Attributable to minorities	-	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
Surplus/(Deficit) attributable to municipality	(3 187 745)	(7 078 389)	(10 266 134)	-	-	(10 266 134)	26 829 753	-	37 095 887	(261)%	(842)%	-	-	-	19 660 850
Share of surplus/ (deficit) of associate	-	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
Surplus/(Deficit) for the year	(3 187 745)	(7 078 389)	(10 266 134)	-	-	(10 266 134)	26 829 753	-	37 095 887	(261)%	(842)%	-	-	-	19 660 850